



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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Michael O. Leavitt
Governor
Robert L. Morgan
Executive Director
Lowell P. Braxton
Division Director

January 10, 2003

CERTIFIED RETURN RECEIPT
7099 3400 0016 8895 4838

Ted Stevens, Legal Counsel
American Gilsonite Company
2400 Sand Hill Road, Suite 201
Menlo Park, California 94025

Re: Acceptance of Self Bonding and Indemnity Agreement and Pledge and Escrow Agreement, American Gilsonite Company, Bonanza Mine, M/047/010, Uintah County, Utah

Dear Mr. Stevens:

On September 4, 2002, the Board Chair executed the Self-Bonding and Indemnity Agreement, entered into by and between American Gilsonite Company and the State of Utah, Department of Natural Resources, Board of Oil, Gas and Mining. The Pledge and Escrow Agreement has also been signed and executed with the effective date of September 3, 2002. One original Self-Bonding and Indemnity Agreement is enclosed for your files and two Pledge and Escrow Agreements are enclosed; one for your files and one to be forwarded to the Escrow Agent.

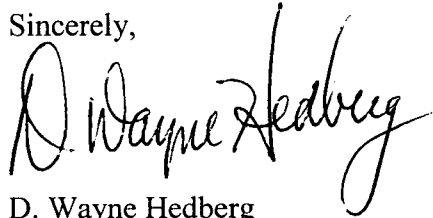
On September 3, 2002, we also received evidence that \$47,275.00 (initial escrow payment) had been deposited into the escrow account. This same amount will be deposited into the escrow account by the 15th day of June each year for three additional years. At the end of the fourth year, there will be a total of \$189,100 in the escrow account. Together with the \$324,900 surety issued by Travelers Casualty and Insurance Company, this will bring the total reclamation surety to the required \$514,000, in year 2007 dollars.

Also enclosed is a copy of the latest Reclamation Contract agreement (FORM MR-RC) that is tied to the forms of surety. Together these documents will satisfy the Division's reclamation surety requirements for the Bonanza Mine. Thank you for your help and patience in

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finalizing these documents. If you have any concerns regarding this letter, please contact me at (801) 538-5286 or Doug Jensen at 538-5382.

Sincerely,

A handwritten signature in black ink, reading "D. Wayne Hedberg". The signature is fluid and cursive, with the first name "D." and last name "Hedberg" clearly legible.

D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program

jb

Enclosures: 2 Original Pledge & Escrow Agreements
1 Original Self-Bonding and Indemnity Agreement
Copy of Reclamation Contract w/surety bond & rider
cc: Kip Grubaugh, American Gilsonite, Vernal
O:\M047-Uintah\M047010-AGC\finalEscrow-agree.doc